

Early Adopter Sees RFID Progress

Phil Therrien, EPC manager for Kimberly-Clark, tells RFID Journal that despite a pause in the marketplace, RFID adoption is progressing and will move forward quickly in certain applications and product categories.

By Mark Roberti

Sept. 21, 2007—Kimberly-Clark (K-C) has been one of the leading proponents of using radio frequency identification systems based on Electronic Product Code (EPC) standards to improve supply chain efficiencies. While some companies continue to employ a "slap-and-ship" approach to meeting tagging requirements, K-C is using RFID data to improve promotions execution and reduce out-of-stocks.

Phil Therrien, K-C's EPC manager, is responsible for working with technologists to develop and roll out new RFID applications. Therrien will be a speaker at the EPC Connection 2007 conference and exhibition, to be held in Chicago, Oct. 2-4.

At the event, Therrien will discuss the current state of adoption, addressing why K-C has been more aggressive than other suppliers in deploying the technology. Therrien recently spoke to RFID Journal editor Mark Roberti.

RFID Journal: There are reports that some of the leading adopters of RFID in the retail supply chain are slowing down their rollouts, or even backing off. What's your perception of where the market is today?

Therrien: There is a pause in the adoption cycle; there's no question about that. In 2003 and 2004, there was a lot of excitement. People got caught up in the hype cycle. As a supplier, to make this technology work from a business perspective, there has to be a critical mass of retail customers using the technology. You can't tag at manufacturing if there isn't any benefit downstream because the retailers haven't installed the technology. Today, we are focused on those specific applications where we can deliver a benefit based on the scale of the retail network that already exists.

RFID Journal: Given that Wal-Mart is currently the only mass merchandise retailer in the United States rolling out RFID infrastructure to a large number of stores, do you think it's worth tagging products, given the cost of maintaining separate inventories?

Therrien: Today, suppliers frequently create custom packaging for specific retailers. So managing RFID-tagged inventory is a subcomponent of the inventory segmentation and mass customization, which is a key component of K-C's strategy of becoming an indispensable partner to our retail customers.

RFID Journal: Why aren't more retailers jumping on board, in your view?

Therrien: Competition and the drive to deliver results for shareholders and meet Wall Street's expectations in the retail industry are intense today. Some retailers have struggled to deliver same-store sales growth, and to position themselves as being meaningful with their consumers. As they evaluate different opportunities to invest their dollars to drive business results, they must choose those initiatives that best drive results. Investments are made based on creating shopper relevance and the kind of business performance that drives

shareholder value.

RFID Journal: Do you expect to see more retailers adopting RFID in the next 12 to 18 months?

Therrien: In some categories, you'll see more retailers embrace RFID as part of their business infrastructure, such as apparel and footwear or media and entertainment, where they have challenges managing inventory. Adoption in these areas will help drive the cost of using the technology down, which will make RFID more relevant for adjacent categories.

RFID Journal: Do you see more suppliers jumping on board?

Therrien: I believe many suppliers are waiting to gain a better understanding of the change in process that will help drive the benefit of using RFID in their supply chain applications. When the benefits become clear to them, they will most likely seize the opportunity.

RFID Journal: Where are the business benefits?

Therrien: The things we see in near term are around promotion execution, which is a key way we go to market in the retail channel. When those events don't get executed according to plan, we don't achieve the sales opportunities we target, and we don't connect with the shopper the way we want to. We pay contract packaging and contract manufacturing to create special promotional displays. We do not receive the full return on that investment when the promotional product and display items aren't in the store. Using the technology to help in the execution of product promotions, we can get clear visibility where the RFID infrastructure exists [in the retail supply chain], and we can put that information into the hands of people who can respond to it and take corrective action. The incremental cost of tagging those displays is very small relative to the investment in those promotion events, so we're expanding that capability where the installed network exists.

RFID Journal: What about tagging cases and pallets to reduce out-of-stocks?

Therrien: Tagging cases and pallets can provide benefits by providing shelf-level visibility on an everyday basis, but the question is, Who reacts to the information? Some suppliers have representatives in stores on an everyday basis. They do direct-store deliveries for some categories, and they can have that driver follow up on potential out-of-stocks on products that go through the warehouse channel. Some suppliers are better positioned to leverage the data RFID provides, but not all suppliers have a representative in the store every day, so retailers need to develop the capabilities to react to that everyday shelf-level data.

RFID Journal: Are retailers developing that capability?

Therrien: Yes, there is work that is going on, and that is one of the things some suppliers are waiting for. They want some assurance that something different happens when they tag product. Automated systems are just beginning to emerge. It's immature at this stage, and there are questions about how well you can scale those systems. The software tools are not as mature as they are with the promotion-execution piece.

RFID Journal: Why do the EPC standards matter?

Therrien: These are critical for EPC RFID initiatives, because supply chain partners must be able to speak the same language. We have to have interoperability between software systems that use RFID data, regardless of [the] software vendor you work with. That's the only way we'll be able to choose the applications that make the most sense for our business.

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Therrien: Adopt rates will vary by category and retailer type. In my opinion, the apparel and entertainment categories are going to be early adopters at the item level. There is a stronger business case there than in other categories. Other categories will follow as costs fall and the applications required to leverage RFID mature and become more scalable.

Learn more about the state of EPC and where companies are realizing the benefits of this technology at [EPC Connection 2007](#), being held in Chicago, Oct. 2-4, 2007.

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